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http://www.carrollcountycomet.com/news/2009-12-09/Front_Page/State_files_securities_violations_complaint_against.html

State files securities violations complaint against ISTA; action mirrors local suit

By Debbie Lowe Staff writer

Indiana Secretary of State Securities Division filed a civil complaint in Marion County Superior Court against the Indiana State Teachers Association (ISTA), the ISTA Insurance Trust and several other related entities Dec. 2. The action comes on the heels of the filing of a class-action lawsuit in which the Delphi Community School Corporation participated with at least three other school districts in the state.

"We feel like ISTA has done something wrong," DCSC Superintendent Ralph Walker told the *Comet* Monday. "It's good to get help from the State of Indiana."

Although the two lawsuits are separate, Walker said he was aware of the state action.

"I have been subpoenaed to testify in the State case by the Secretary of State's Office," he said.

The state complaint alleges ISTA unlawfully offered and sold investments in a health arrangement to dozens of Indiana school corporations, violating several provisions of the Indiana Securities Act.

Much of the money paid into the ISTA-controlled trust was intended to be used for health claims with a promise of a return on reserves. However, according to the complaint, the money was co-mingled by ISTA with funds from other sources including long-term disability plan payments and invested by ISTA without the knowledge of the school corporations. The complaint alleges that ISTA now is unable to properly account for approximately \$23 million intended for school districts.

"The latest evidence indicates that ISTA is now offering these Indiana school corporations pennies on the dollar in an effort to wipe away their liability," Indiana Secretary of State Todd Rokita said.

Walker concurred with Rokita's assessment.

"I know other school corporations have met with the trust people and have been offered a settlement," he advised.

He said he was meeting with ISTA Trust representatives Dec. 14.

In a press release, Rokita explained why his office took the official stance against the trust.

“The purpose of this action is to request that an independent third party be assigned to ensure transparent accounting and equitable distribution of any remaining funds, while not interrupting any payments being made to disabled teachers,” he said.

Specific counts allege ISTA and its entities sold unregistered securities, made untrue statements, failed to disclose information about the financial soundness of the health arrangement and how school corporations’ contributions would be invested.

The complaint requests that the finances of ISTA and the related entities be frozen until a conservator or receiver can account for investor funds. It also requests that the court craft an order which allows for the flow of disability claims to teachers to continue while the investigation proceeds. To view a complete copy of the complaint go to [in.gov/sos/files/ISTA_Complaint_12.2.PDF](https://www.in.gov/sos/files/ISTA_Complaint_12.2.PDF).